

MPA RESPONSE TO DLS ANALYSIS

DLS Budget Analysis Major Trends

- 1. Given the ongoing questions regarding what the MPA considers “operating exclusions”, the Department of Legislative Services (DLS) recommends the adoption of committee narrative to direct the Office of Legislative Audits to review these exclusions in the context of Generally Accepted Accounting Principles.*

MPA Response:

The MPA respectfully has no comment. The practice of identifying these expenditures as operating exclusions is a long-standing practice for internal management purposes only. The MPA staff will provide whatever assistance necessary for the Office of Legislative Audits to conduct their review.

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DLS Issues

1. Security at the Port of Baltimore (Page 21)

DLS recommends that MPA brief the committees on the security contract with Securitas and its performance, current and future spending plans for improving security at the Port, and the status of the Port's security. MPA should also speak on collaboration in regards to port security between MPA, the private security company, the Maryland Transportation Port Police Detachment, the Coast Guard, and the Baltimore City Police Department. Areas of discussion should include overlapping jurisdictions, collaboration and communication between security forces, chain of command, and whether or not clear guidelines are in place to coordinate efforts and communication in the event of an emergency.

MPA Response:

Job performance of Securitas, Inc. guard personnel has, and continues to improve as receipt of security resources has been added for their use. Examples of equipment provided within the last 2 months are Saber 4000 units (to include training) for detection of trace chemical, explosive and narcotic particles on vehicles entering terminals access points; handheld metal detectors for screening of visitors and passengers; and inspection mirrors for undercarriage inspection of vehicles.

Spending MPA Plans

Current spending plans include completion of construction to the Dundalk and Seagirt Marine Terminal Truck gates to install biometric access control units and construction and installation of video surveillance camera and intrusion detection systems at all MPA restricted terminals. These projects are expected to be complete around July of 2007. Total Federal Grant and state matching funds are expected to be \$18.8 million.

Future spending plans for security port projects will encompass projects to address access control systems and further controlled access to the terminals by use of enhanced badging techniques. Additional facility "hardening" structures will also be added as well as enhanced communications systems. The MPA will continue to pursue Federal Grant programs to supplement state funding.

Status of Port's Security

Security of the port is improved and continues to address previously identified port vulnerabilities. Other improvements underway will continue to build upon and improve port security. As criminals and terrorists become more creative and resourceful in their designs for criminal enterprises and terrorist activities, threats will surface that will

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continually cause ports to have to adapt and adopt matching security measures to minimize vulnerabilities to newly devised criminogenic threats.

Collaboration, Communication and Jurisdiction Between Security/Law Enforcement Entities

Security and law enforcement matters are collaborated and communicated through daily interaction among MPA Security Department, MdTA Police and Securitas, Inc. guard personnel. Securitas, Inc, under contract to MPA, essentially is responsible for the first line of defense to detect threats at terminal entrances. Securitas, Inc. guard posts are equipped with two means of communication to contact MdTA police for police response to law enforcement incidents and emergencies at entrances and on terminals. By written agreement, MPA contracts the services of MdTA Police to patrol terminals and first response to incidents and coordinate port law enforcement issues, incidents, and emergencies on MPA terminals in conjunction with Securitas, Inc. An MdTA Police detachment headed up by a MdTA Police Captain is housed on the Dundalk Marine Terminal and is operational 24 hours a day, 7 days a week. A weekly assigned MPA Security Specialist serves as MPA Duty Officer to address port incidents requiring coordination between MPA Security Department, MdTA Police and Securitas, Inc. The MPA Director of Security develops and coordinates the required Facility Security Plans for the marine terminals. These sensitive, restrictive facility security plans (not for public disclosure and accessible on a need-to-know basis) enumerate chain of command protocols for reporting security breaches in compliance with the Maritime Transportation Security Act.

MdTA Police, MPA Operations and MPA Security meet bi-weekly, and on a daily basis as needed, to address port security and law enforcement issues. At the senior management level, the MPA Executive Director, MPA Director of Security and the Chief MdTA Police and the Assistant Secretary, MDOT collaborate, communicate and meet as necessary to address port budget and law enforcement issues as needed.

Collaboration and communication occurs at various levels and between jurisdictions. The Baltimore Area Maritime Security Committee under the Captain of the Port, Baltimore, United States Coast Guard coordinates and addresses port security jurisdiction, law enforcement and security concerns. The Baltimore City Police Department, MdTA Police Department and the MPA each are members of the committee. The Governor's Office of Homeland Security also coordinates security, jurisdictional and law enforcement matters pertaining to port security with various agencies to include the U.S. Department of Homeland Security.

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2. Joint Legislative Committee on Port Governance (Page 23)

DLS recommends that the Secretary comment on the findings of the joint commission and what actions the department plans to take in regards to them.

MPA Response:

The Maryland Department of Transportation does not know the findings of the joint commission on Port Governance, and thus cannot comment on those findings.

MDOT/MPA is aware that the Chairmen of the Joint Commission have introduced legislation to assist the MPA with Procurement, and we strongly support that effort. SB-834/ HB 1293 exempts the Maryland Port Administration from State Procurement Law for “maritime enterprise procurement” which are procurements determined by the Maryland Port Commission to be necessary to attract, retain, support or provide security for maritime business at the Administration’s port facilities. This streamlined procurement requires the Maryland Port Commission to adopt regulations to establish procurement rules to govern maritime enterprise procurements, to determine when this streamlined process may be used, and to be the final approval authority for these procurements.

The MPA is excited about this opportunity for streamlined procurements and believes that such will be essential to allow us to compete for some business. This will put the Port Administration on equal footing with other Ports when we are competing for new business. It will allow us to respond quickly to critical business issues and security needs.

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3. Sale of the World Trade Center (Page 24)

DLS recommends that the Secretary comment on the status of the cost benefit analysis and the appraisals. Furthermore, DLS also recommends that budget bill language be added to restrict a portion of MPA's fiscal 2007 allowance pending the review and comment of a report by MDOT on the amount of proceeds from the sale of the WTC and how MDOT proposes to use those funds.

MPA Response:

Managing a Class A office building is not core to the MPA mission. Also, caution is recommended in projecting anticipated proceeds from the sale of the WTC building. The "...\$30 million to \$45 million..." sales value stated in DLS's analysis should be considered speculative at this point in time.

It is anticipated that the sale of the WTC will be concluded by the end of the FY06. The WTC cost-benefit analysis is now undergoing its final draft review internally, and should be ready for submission to the Legislature prior to the end of FY06. The WTC appraisals will also be available prior to the end of FY06. The report requested on the amount of the proceeds and their use will be provided after the sale is completed.

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1. Add budget bill language to restrict the allocation of \$1 million in special funds until a report is received from MDOT regarding the sale of the World Trade Center.

MPA Response:

MPA concurs with the recommendation. The MPA anticipates the sale of the WTC will be concluded by the end of the current fiscal year and that the required report on the WTC sale will be provided at the conclusion of the sale process.

2. Reduce funds for replacement of motor vehicles. \$48,210 SF

MPA Response:

MPA respectfully does not concur with the entire recommendation, however, the MPA does concur with a reduction of \$10,875.

The MPA requires SUV's in its vehicle fleet for specific employees to be able to respond to emergencies 24 hours a day and 365 days a year even during severe weather conditions, like this past weekend. They also need the capability of traveling to remote sites that may not be accessible by a regular sedan. These vehicles will be assigned to the Director of Security and Director of Engineering. The third vehicle will be assigned to the Director of Marketing, who requires a vehicle that can accommodate additional passengers, i.e. customers, to these sites as well. We review our vehicle fleet on an ongoing basis and we have been replacing SUVs with sedans wherever possible. We agree that the gas-fueled truck could be replaced by an ethanol truck and, therefore, concur with a reduction of \$10,875.

3. Reduce funds for out-of-state travel by \$75,000. \$75,000 SF

MPA Response:

MPA respectfully does not concur with the recommendation. The MPA's FY2004 total travel appropriation of \$557k was drastically cut by \$333k in the FY2005 & FY2006 strategic budget reduction processes to the current level of \$224k. The FY2007 travel request is being made to replenish approximately 45% of that large reduction over a three-year period. The MPA has a new Executive Director whose travel needs have increased in order for him and the executive sales & marketing staff to meet directly with the senior executives of MPA customers who are located overseas. Increased travel is also necessary as a result of the FY2006 restructuring of the marketing offices to address

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the reduction of two field positions serving the Mid-West. Additionally, the cost of travel has increased.

- 4. Reduce funding for in-state travel to the fiscal 2006 appropriation. \$3,900 SF**

MPA Response:

MPA concurs with the recommendation.

- 5. Reduce funding for education and training contracts to fiscal 2005 actual. \$18,981 SF**

MPA Response:

The MPA respectfully does not concur with the recommendation. MPA management is committed to providing training programs for our employees along with mandated training programs in order for employees to maintain their certificates of professional certification and other required training, such as security. The tenure of MPA employees continues to increase. Close to 20% of the MPA workforce have twenty-five or more years of State service. This requires the MPA to invest in the remaining workforce through training programs, such as educational reimbursement for ongoing career development, computer training, management and supervisory development.

- 6. Reduce funds for replacement equipment. \$100,000 SF**

MPA Response:

The MPA respectfully does not concur with the recommendation. Strategic budget reductions over the last several years have curtailed required equipment replacements. Some of items being requested have safety concerns, such as crane elevators, wharf fending equipment, and backing beams that have exceeded their useful life and range in age from 10 to 30 years. They are either worn out or are in extremely poor condition and must be replaced to ensure MPA and others are working with and operating safe equipment. Due to OSHA requirements, all parts must be supplied by the Original Equipment Manufacturer, who no longer provides full support particularly for the elevators. Liability issues will not allow us to retrofit with newer replacement parts that are not designed by the OEM. Because of technological and design changes, parts, supplies, and materials are becoming less available and must be replaced immediately.

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7. Reduce funds for medical care by \$15,000 to reflect actual usage. \$15,000 SF

MPA Response:

The MPA concurs with the recommendation.

8. Reduce funds for contracts for portable restrooms and heating and air conditioning equipment no longer needed as the result of the opening of the new cruise terminal. \$255,344 SF

MPA Response:

MPA respectfully does not concur with the recommendation. Failure to provide funding for these contracts will compromise the MPA's ability to provide a fully functional cruise terminal. The funds as provided in the FY2007 Allowance are critical for the operation of the new cruise terminal at South Locust Point. Funding is still essential for portable restrooms in the parking and outer areas of the facility. New janitorial services and supplies are required for the building and surrounding areas. Utility costs directly related to the SLP dedicated cruise facility will increase substantially due in part to the rising cost of energy and the requirement to provide heat/HVAC to the building 24 hours a day 7 days a week. This requirement is mandated by the fire department due to a change in use of the facility from dry cargo storage to a passenger terminal. The fire sprinkler system is now a water-based system and must be protected from temperature extremes.

There must also be a provision for emergency utility systems in the case of lost power and extreme variance in temperature. For example, on very hot, humid days it may be necessary to rent air circulation units for the cargo baggage area of the facility, which is utilized by passengers, federal government agencies, staff and ILA employees to reduce health hazards and to promote an environmentally safe environment.

Funding is required for the incremental costs associated with the movement of the gangway for each cruise ship call, maintenance of that equipment and the gangway itself. Equipment located at DMT, which is used for other purposes, was also used for the movement of the gangway. Either this equipment will have to be transported to SLP for each ship call or new equipment will have to be rented or procured for the SLP cruise operation.

9. Adopt committee narrative to request the Office of Legislative Audits to review conformity of the Maryland Port Administration operating exclusions with Generally Accepted Accounting Principles.

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MPA Response:

The MPA respectfully has no comment. The practice of identifying these expenditures as operating exclusions is a long-standing practice for internal management purposes only. The MPA staff will provide whatever assistance necessary for the Office of Legislative Audits to conduct their review.

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Paygo Capital Budget Recommended Actions

- 1. Reduce the funds for travel to the fiscal 2005 actual. \$25,112 SF**

MPA Response:

MPA respectfully does not concur with the recommendation. After evaluating our current FY06 travel expenses, the MPA is projected to spend all of its \$53,942 FY06 allowance. The FY07 travel allowance is only \$41,918, which is a 22% reduction from FY06 levels. Further reductions will hamper our ability to conduct MPA business. Additionally, the cost of travel has increased.

The MPA is entering into new arrangements and initiatives related to environmental management systems. The staff involved in these programs will need to attend training sessions and meet with other entities (such as ports, EPA, etc.) to discuss implementation of these programs.

- 2. Reduce funds for office equipment to fiscal 2005 levels. \$6,240 SF**

MPA Response:

MPA respectfully does not concur with the recommendation. Office equipment expenditures in FY05 were \$3,281. The \$8,750 FY07 allowance is budgeted for the purchase of new CADD workstation. The computer and peripherals will be used in our Engineering Division to generate CADD drawings, which support business proposals and on-going maintenance and operation of the State's marine terminal assets.

- 3. Delete funding for the fruit slip fill at South Locust Point Terminal. \$2,250,000 SF**

MPA Response:

MPA respectfully does not concur with this recommendation. This project is essential for fulfilling commitments to two port customers, M-real and UPM-Kymmene. The filling of the slip is also contractually committed to by the MPA with M-Real. At stake is the MPA's ability to take advantage of business opportunities and to become the nation's largest importer of forest products. This berth was used by United Brand's "White Fleet" from 1958 to 1981 to ship bananas to Baltimore. The Slip is no longer being used and the bulkheads are now dilapidated, unstable and causing sinkholes to the surrounding area. This project has been scheduled for several years, and it is of concern for the heavy loads in the cargo shed near the weakened bulkhead. In 1997, the cost to replace the bulkheads was determined to be \$3.325M; using a CPI inflation factor, that estimate is over \$4M in 2005 dollars. The budget for this project is \$3.8M (over several fiscal years). It is less

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expensive to fill the Slip than to replace the bulkheads, plus there are several other important benefits: the north half of the Slip is needed for the footprint of the new M-real Shed; the existing Slip creates physical operational barrier to truck circulation on the terminal; additional cargo space can be created, which will enhance future revenues. See attached photos of deteriorated bulkheads and sinkholes.

Photos of Fruit Slip at South Locust Point

